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SECURITY INFORMATION

7 April 1952

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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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GENERAL

1. Committee positions are allotted at the World Economic Conference: The US Embassy in Moscow reports that the sessions of the World Economic Conference will be equally divided between plenary meetings and committee meetings.

Three committees have been formed: International trade, with Lange as chairman and vice chairmen from Great Britain, the Soviet Union, Communist China and Italy; economic co-operation, with Boyd-Orr as chairman and vice chairmen from the Soviet Union and Pakistan; under-developed areas, with the chairman from India and vice chairmen from France and Italy.

British and French delegates are reported to have had private meetings with Chinese Communist delegates. (C Moscow 1587, 3 Apr 52)

Comment: The organization of the conference into committees is a concession to non-Communist criticism of conference plans for mass meetings.

The committee on international trade, possibly the crux of the whole conference, will be directed by an Orbit chairman and vice chairman. Western Europe is the best represented of the non-Orbit areas on the committees, while the Middle East, Latin America and Southeast Asia have apparently been given no committee positions despite the interest shown in these areas for the conference. This lends support to the various estimates that Western Europe is the primary target of the Soviet Union's economic counteroffensive.

The private meetings between French and British and Chinese Communist delegates may be for the purpose of exploring trade possibilities between these countries recently suggested by conference organizers in Moscow.

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SOVIET UNION

2. Soviet retail price cuts offset by heavier taxes in 1952: The US Embassy in Moscow reports official estimates that the people of the Soviet Union will save 28 billion rubles in 1952 because of the reduction in retail prices effected on 1 April. (C Moscow 1577, 2 Apr 52)

Comment: The alleged 28 billion savings is more than cancelled out by increases of 15.1 billion rubles in turnover taxes, 4 billion rubles in direct taxes, and 9.1 billion rubles in compulsory loans, which will amount to at least 28.2 billion rubles.

EASTERN EUROPE

3. Finnish Premier regains unanimous support of his party: Finnish Premier Kekkonen has withdrawn his resignation following a unanimous vote of confidence accorded him on 2 April at a meeting of his political party, the Agrarians. The Agrarian Party also fully approved Kekkonen's economic stabilization policy.

The US Legation in Helsinki comments that these developments appear to represent a sweeping repudiation of Kekkonen's critics within his own party at least for the time being. (R Helsinki 401, 3 Apr 52)

Comment: Well informed observers believed when Kekkonen offered his resignation that it was merely a tactic to bring his party back into line. During recent months the Premier has suffered most criticism from his own party group in the Finnish Diet.

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FAR EAST

4. Japanese Communists not under Chinese direction: There is no evidence that the Chinese Communist Party exercises any direct control over the Japanese Communist Party, according to CINCFE. It is known that the Japanese and Chinese Communist Parties maintain liaison, primarily for the exchange of propaganda, and there are indications that the JCP seeks and values CCP approbation of its policies and programs. CINCFE notes, however, that the JCP has always been more heavily influenced by the Soviet Communist Party, and that it maintains direct liaison with Soviet representatives in Tokyo. (S Tokyo 1208, 28 Feb 52)

Comment: The Cominform's criticism of the Japanese Communists in January 1950, which forced a reversal of JCP policy, as well as a continuing adherence to the Moscow propaganda line, amply demonstrates Soviet control over the JCP. Peiping's success in September 1950, however, in enjoining the two opposing factions of the party to unite, indicates that the JCP is responsive to Chinese influence.

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5. Preparations for Communist offensive in Korea reported:  
Preparations for a Communist general offensive in North Korea

Two Chinese Communist armies began moving southeast on 28 March from staging areas in east central Korea near the 39th Parallel, according to this report. Four additional Chinese armies have also been alerted for the offensive. Four North Korean corps, now in the east coast area, are scheduled to participate.

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Comment: There are no firm indications that Communist forces in Korea intend to launch another major offensive in the near future. It is possible, however, that a limited objective offensive may be undertaken in eastern Korea, the apparent focal point of the reported preparations, where UN forces hold a considerable amount of North Korean terrain.

6. Communist MIG-15 flies photo mission over Seoul area: On 2 April, a UN aircraft in the Suwon area, south of Seoul, observed a Communist MIG-15 jet fighter with two mid-wing fuel tanks. The MIG dived from an altitude of 22,000 feet to 17,000

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feet over Suwon airbase, then proceeded to Kimpo, another important UN airfield. Over Kimpo, the enemy jet turned toward Seoul, where it again dived to a lower altitude.

25X1

7. UNCURK decides to observe South Korean elections: The United Nations Commission for Unification and Rehabilitation in Korea (UNCURK) decided in late March to conduct a formal observation of the local elections scheduled for 25 April and 10 May, according to Ambassador Muccio. South Korean officials are being notified informally of the Commission's intention but no invitation from the ROK is being requested.

Muccio comments that it is in the interest of the ROK to have its elections held under international scrutiny. The Ambassador credits Cordier, a high UN official, and Plimsoll, the Australian delegate, with responsibility both for this decision and for putting new life in the Commission. (C Pusan 966, 4 Apr 52)

Comment: This UNCURK action is the first result of a concerted effort to improve the calibre of the UN organization which, since the outbreak of war, had gradually lost all effectiveness. ROK failure to invite UNCURK to observe the early 1952 by-election indicated the low ebb of UNCURK influence.

8. Peiping may agree to investigation of its BW charges: The Indian Ambassador to Peiping has received the impression from a Chinese Vice Foreign Minister that there is a "considerable possibility" that the Chinese will agree to an impartial international investigation of their biological warfare charges. Pannikar expected to discuss this subject with Peiping's Foreign Minister, Chou En-lai, on 5 or 7 April.

The Indian Foreign Office advised Pannikar that any international investigative body should have full freedom to undertake independent investigation in the localities concerned, as well as to review evidence submitted to it. (S New Delhi 3617, 4 Apr 52)

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25X1 9. [ ] reports on "American germ air raids" in China:  
25X1 [ ] newly arrived at Hong Kong from [ ]  
has supplied details on the alleged American germ air raids there on 5 and 8 March. During the alerts, a single searchlight played in one direction for two hours, while anti-aircraft batteries fired wildly in all directions. No planes were heard or seen on either date. 25X1

On 9 March, hundreds of children wearing face masks and equipped with fly swatters and bottles, and thousands of soldiers were led out to collect insects. For days afterwards, the police led people on insect hunts.

25X1 While [ ] is convinced that there were no raids, he states that many Chinese believe the Communist BW charges. (C Hong Kong 2802, 2 Apr 52)

10. Desperate plight of Americans in China reported: The  
25X1 American Consul General in Hong Kong reports that [ ]  
[ ] in Shanghai telephoned the  
company's Hong Kong office and declared that the plight of American businessmen was desperate. He was afraid, not so much of jail, as of "the other thing." 25X1

The Consul General calls attention to an authentic report from Tsingtao of the arrest of an American missionary on 7 March under circumstances indicating that the seizure might be connected with the germ warfare propaganda campaign. (C Hong Kong 2791, 3 Apr 52)

Comment: All Western businessmen in China are subjected to extortionate financial demands as a condition for permission to leave the country. Over 200 Americans are still in Communist China, nearly 40 of them under arrest.

11. Letourneau considered best man available for Indochina post: Minister Heath in Saigon believes that the French Government made the best possible choice in appointing Minister for Associated States, Jean Letourneau, High Commissioner in Indochina. Heath explains that Letourneau has the personal qualifications necessary for the post, is familiar with the situation, and has a "friendly understanding" of American policy. (C Saigon 1935, 4 Apr 52)

Comment: Since Letourneau retains his position as a member of the Pinay government, his new assignment may be

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interpreted as an indication of French determination to push for a solution of the Indochina problem. The important decisions on Indochina policy, however, which will still be made in Paris, are apt to suffer by his absence from the capital.

Letourneau's appointment is not being received with much enthusiasm in Vietnam. He has a rather low opinion of the ability of the Vietnamese to maintain their independence, and he is identified in the minds of many Vietnamese with French equivocation on the subject of negotiations with the Viet Minh.

12. French plan to reduce training program for Vietnamese recruits: A French defense official informed the American Legation in Saigon that the call-up of the fourth increment of Vietnamese draftees under the two-month training program will be postponed indefinitely. Lack of money and the need to use the camp training cadres in the activation of regular Vietnam Army units were given as the reasons.

The Legation considers the French decision evidence that the mobilization program has proved less useful than anticipated and that it was designed principally for psychological purposes. (C Saigon 1931, 4 Apr 52)

Comment: This report indicates that the time and effort expended since the training program started last October, might have been more advantageously employed if existing irregular units had been transferred into regular army formations. These irregulars number over 200,000.

13. Netherlands condemns Indonesian imprisonment of its nationals: Prompted by strong pressure in Parliament, a Dutch Foreign Office official has asserted that the nationals of no other country in the "free world" have received as bad treatment as the Dutch have in Indonesia. As of last November, 108 Dutchmen were under arrest and awaiting trial, about half of whom had been detained longer than six months. Indonesian Foreign Office promises of information have not been forthcoming.

Attributing the situation to an "exaggerated Indonesian conception of its newly won sovereignty," the Dutch official stated that his government prefers not to take reprisals which are allowable under international law. Privately, the

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Foreign Office admits that it probably will not submit the problem to the Union Court of Arbitration, hoping that the new Indonesian Government will be more effective in controlling its local authorities, who ordered most of the arrests. (R The Hague 1043, 2 Apr 52)

Comment: Parliamentary attacks, especially by the right-wing groups, against the passivity of the Dutch Government's policy toward Indonesia have been increasingly severe. A specific target is expected to be the government's failure to take action against Indonesia for its seizure of Dutch vessels enroute to New Guinea.

With the appointment of the Sultan of Jogjakarta as Indonesian Defense Minister, two serious difficulties -- the lack of internal security and the absence of administrative efficiency on a local level -- may be substantially ameliorated.

SOUTH ASIA

14. Ceylonese Government dissolves parliament and calls immediate elections: Lord Soulbury, Governor General of Ceylon, proclaimed dissolution of parliament effective 8 April 1952 and set new elections for 28 April to 31 May 1952. The new parliament will meet 10 June 1952. The Governor General believes that the United National Party now in power will retain its position by holding immediate elections. [redacted] 25X1C

25X1C [redacted] says that the Akuressa by-elections, in southern Ceylon, will be cancelled. (S Colombo 558, 3 Apr; R FBIS, 4 Apr 52)

Comment: Before the recent death of popular Prime Minister D. S. Senanayake, the United National Party planned to delay the elections as long as possible so that party forces could consolidate their position. By calling parliamentary elections at once, the party can take advantage of the personal popularity and memory of the late Prime Minister whose aura now falls about his son, Dudley Senanayake, the new Prime Minister.

Also, dissolution of parliament and timely elections may discourage defections from the United National Party and prevent leftist-Communist parties from gaining strength, particularly in Akuressa -- the heart of Communist Party influence in Ceylon. The Akuressa parliamentary seat became vacant upon the death on 30 December 1951 of W. P. A. Wickramasinghe, brother of the secretary-general of the Ceylon Communist Party, and a supporter of that party.

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NEAR EAST - AFRICA

15. Iranian financial collapse not necessarily imminent: The Iranian Government, by resorting to special devices such as indirect loans from the National Bank, floating an internal loan, and transfer of uncommitted foreign exchange, has raised sufficient funds to cover its salary and wage commitments for the last two months of the Iranian year which ended on 20 March and will probably be able to meet its other year-end obligations without unusual difficulty.

The Ministry of Finance is considering expansion of the note issue and use of the gold note cover reserve. The American Embassy believes that Prime Minister Mossadeq might be able to persuade the Majlis to dilute the currency on the basis of "patriotic expediency." Even without such Majlis action, the Embassy believes it possible that the government could carry on financially through May 1952. (C Tehran 3636, 24 Mar 52)

Comment: In order to meet current financial obligations, the Iranian Government has improvised successfully for months. It would be difficult to estimate the length of time it could continue to function by reducing the government payroll and facilities. However, the increasing financial and economic deterioration has forced the government to consider the unpopular step of debasing the currency. The new Majlis, with its strong National Front representation, might be amenable to taking such a step as the only means of maintaining Iran's freedom.

16. Egyptian King may be planning new government under present Minister of Interior: The Egyptian Minister of Interior has given [ ] "a strong implication" that he and King Farouk are planning the Minister's accession to power.

25X1C The Minister, Maraghi Bey, apparently expects the resignation of Hilali, the postponement of elections, his own accession to power on the basis of a strong program for social reform, and, should the Anglo-Egyptian dispute still not be settled, an ultimatum from Farouk giving the British 60 to 90 days to satisfy national aspirations. Should these not be satisfied, [ ] concludes that "a national struggle would begin under Maraghi's direction." [ ]

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Comment: This is the first indication that the possible resignation of the Hilali government might be followed by something other than general chaos. Maraghi is considered able and ambitious.

There have been rumors, termed "absolutely untrue" by the Chief of the Royal Cabinet, that Farouk is not fully supporting Hilali. Lending some credence to these rumors is a report that Hilali has resisted royal pressure to take into his cabinet two of the King's friends who are notoriously corrupt.

17. Egyptian parliamentary elections likely to be postponed:  
King Farouk has stated categorically that the Egyptian parliamentary elections, now scheduled to take place on 18 May, will not be held.

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Comment: There have been previous indications that Farouk would postpone the 18 May election date.

18. Egypt denounces action of British Governor General in Sudan:  
The Egyptian Foreign Minister has denounced the British Governor General in the Sudan for submitting a new constitution to the Legislative Assembly. The Foreign Minister, who considered the act "provocative," seriously contemplated breaking off talks with the British Ambassador.

Egyptian newspapers, though severely limited by censorship, have unanimously accused Britain of extending its imperialism and of a new move to separate the Sudan from Egypt.  
(S Cairo 1718, 3 Apr; C Cairo 1728, 4 Apr 52)

Comment: If the Governor General's action does not lead to a complete breakdown in current preliminary Anglo-Egyptian talks, it will at least certainly harden the Hilali government against making concessions on the Sudan and Suez issues.

19. British see less promising outlook in talks with Egypt:  
The results of the 1 April conversation between the Egyptian Foreign Minister and the British Ambassador make the prospect for agreement look less bright to the British Foreign Office. The Foreign Office is agreeable to a formula that would not specifically and publicly commit Egypt to participate in a regional defense arrangement, but objects to the Egyptian

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phrasing, which would necessitate the removal of all British military units from Egypt.

The British Foreign Office hopes that if Britain and Egypt can agree on a joint statement as a basis for negotiations, the Egyptian Prime Minister will agree to call off the elections and perhaps suspend the constitution in order to conduct the negotiations in a calm atmosphere. As the situation stands now, Foreign Office officials feel that Hilali could not win the elections, and a negotiated agreement would become useless. (S London 4384 and 4450, 2 and 4 Apr 52)

Comment: The willingness of the British Foreign Office not to insist on a public promise of Egyptian participation in the defense of the Middle East is a concession from the position taken by the British Cabinet on 13 March, according to which British combat troops would be withdrawn only in exchange for such a commitment. Britain still seems to regard the establishment of joint air defenses in Egypt as a strategic necessity.

20. Turkish Republican Party leaders face severe criticism from membership: The Congress of the Turkish Republican Party, Founded by Kemal Ataturk, met from 26 March to 30 March and strongly criticized the party's program and administration. Former Prime Minister Gunaltay, emerging as the strongest and most popular figure among the Republican leaders, directly attacked the Secretary-General's organizational failures and less openly criticized President-General Inonu's leadership.

The American Embassy believes that the Republican leadership will attempt to hold the party together for the 1954 general elections. Failure to make a better showing at that time than in the 1950 elections would make it unlikely that the party could continue in its present form. (C Ankara 995, 1 Apr 52)

Comment: The Democratic Party's continued popularity has stimulated dissension in the Republican Party's ranks over the proper policy to be adopted by the latter in its effort to return to power. The Republican Party's traditional leaders, such as Inonu, Nihat Erim and Kasim Gulek, have been increasingly criticized by the younger, more liberal group led by Gunaltay and Cavid Oral. Despite the recent resignations of several Republican deputies who protested the "chief mentality" of Inonu and his group, there is no evidence that the dissension between the two groups is yet great enough to bring about dissolution of the party.

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WESTERN EUROPE

21. Anti-Communist French labor campaign suffers setback:  
A "severe blow" may be dealt efforts toward collaboration among the principal non-Communist French labor organizations by a sharp split in the leadership of the rightist Independent Labor Confederation. A failure to mend this split would benefit considerably the Communist-led General Labor Confederation.

The moderate majority of the Independent Labor Confederation's executive committee recently defied an attempt by the minority and the organization's principal financial backer to place ex-Vichyites in certain top positions. (S Paris 6055, 3 Apr 52)

Comment: The Independent Labor Confederation seeks an inter-confederal grouping of non-Communist labor representatives. The present leaders of Force Ouvriere, one of the two principal non-Communist labor organizations in France, would be excluded because of their unaggressiveness and deep distrust of the Catholic Labor Confederation.

22. Gaullists no longer considered a French opposition party:  
The Gaullists can no longer be considered part of the parliamentary opposition to the Pinay government, in the opinion of the American Embassy in Paris. The Embassy sees in the strong Gaullist support for Pinay's budgetary program evidence that the RPF is badly divided and that its leaders are afraid to call for opposition tactics at this time. (C Paris 6089, 3 Apr 52)

Comment: In the past De Gaulle's strategy has permitted his followers to support the government on specific measures consonant with his own program. While De Gaulle is probably wary of running counter to public opinion, in view of the current interest in giving Pinay a chance, it is unlikely that he has modified to any degree his basic opposition to co-operation with "the parties."

23. French leadership in agricultural pool planning weakened:  
The Pinay government has greatly weakened France's leadership in the planning for a European agricultural pool by supporting the position of the French National Management Association, which opposes the "green pool" because it would destroy the

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association's exploitation of cartels based on restricted markets. The future French position will depend upon farm leaders' ability to consolidate forces and overcome this political opposition.

A high French Government official predicts that the plenary "green pool" session, now due to open about 23 April, will end without decision, but will appoint a committee of experts to study problems and make recommendations, as was done in the preliminary stages of the Schuman Plan. (C Paris 6081, 3 Apr 52)

Comment: Non-Communist labor leaders have alleged that Pinay, a conservative businessman himself, opposes all current long-range economic plans such as the agricultural pool. His government, moreover, has the support of deputies representing conservative rural elements, apt to reflect the narrow opinions of many French farmers rather than farm organizations which fully appreciate the advantages of agricultural integration.

24. Netherlands regards continuance of European Payments Union essential: The Dutch Government considers the European Payments Union essential for the preservation and expansion of intra-European multilateral trade, which it holds is a necessary basis for rearmament and for maintaining a standard of living high enough to resist further Communist inroads. The possibility of a return to bilateralism and quantitative restrictions is considered real in view of the present low level of western European gold reserves.

The functioning of the EPU indicates that its reserves within the existing quota system are inadequate, and the Netherlands regards these reserves, which provide for swings in creditor-debtor positions, as the key to the importance of the Payments Union. The Dutch feel that each EPU member should contribute a fair share toward the proposed additional reserves of 178 million dollars. (C The Hague TOMUS 184, 1 Apr 52)

25. American Embassy believes Irish budget proposals may precipitate general election: The American Embassy in Dublin believes that there is a strong possibility of an early general election in Ireland because of widespread hostile reaction to price increases provided for in the budget which has been presented to Parliament. To fill a 42-million-dollar gap between estimated revenues and expenditures, the government

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has proposed higher taxes, lower subsidies on bread and flour, and the elimination of subsidies on tea, sugar, and butter. (R Dublin 153, 3 Apr 52)

Comment: So long as the De Valera government has to depend upon the support of five independents to maintain its parliamentary majority, there is the prospect of a general election; but there is no indication of any clear-cut policy differences between the two major parties.

The presentation of the "harshest budget in the history of the state" follows conferences in London between Irish and British Treasury officials on the necessity for improving the sterling area's financial position. The Irish Government, evidently impressed by the seriousness of the country's balance of payments deficit last year, which was equivalent to 185 million dollars, has announced its intentions of also reducing non-sterling imports. The Opposition, on the other hand, has maintained consistently that there is no economic crisis, but has made no clear statement of its own financial policy for Ireland.

26. Norway insists on maintaining trade with Orbit: Officials of the Norwegian Foreign Office and Ministry of Commerce insist upon importing 275,000 metric tons of coal from Poland rather than increasing coal shipments from the United States. While Norway could finance increased imports of American coal in 1952, the government argues that it cannot afford to use dollars indefinitely to meet its coal deficit, particularly in view of the uncertainty of US economic aid and its limited extent. Norwegian officials believe that if they fail to reach an agreement with Poland now it will be difficult to reopen negotiations later. (S Oslo 865, 2 Apr 52)

Comment: Like Denmark, Norway hesitates for both political and economic reasons to sever trade relations with eastern Europe. Norwegian officials are currently willing to pay for the Polish coal with 750 tons of aluminum.

27. Swedish Defense Minister proposes extended training period: Swedish Defense Minister Nilsson has proposed that the period of conscription be extended from 10 to 13 months. Noncommissioned officers, officers, and those assigned to special duty, would receive further instruction. (U FBIS, Stockholm, 2 Apr 52)

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Comment: As part of its postwar demobilization program, Sweden in 1948 reduced the period of compulsory military service from 12 to 9 months. Subsequently the increasingly precarious international scene stimulated a demand for more extensive training and a token increase of one month was made in 1951. The American Army Attache, however, considers an extension to 18 months as the minimum need of the Swedish Army.

#### LATIN AMERICA

28. Bolivian President appeals to President Truman on tin issue: President Ballivian has sent a personal letter to President Truman asking his aid in obtaining a "remunerative" price for Bolivian tin. The letter, friendly in tone, stressed Bolivia's urgent need for a prompt solution of differences impeding US-Bolivian negotiations.

Ballivian's action indicates that the junta is approaching the end of its patience. Further unproductive sessions between the negotiators can "break the camel's back," and result in a wave of anti-US sentiment not only in Bolivia, but throughout Latin America. (R La Paz Joint Weeka 13, 28 Mar 52)

Comment: Negotiations for a long-term US-Bolivian tin contract have extended over a year, and the junta apparently believes that Bolivia's strained political and economic situation would not support another prolonged delay.

Thus far there is no evidence that Bolivia has prepared to renew its campaign to mobilize Latin American support for charging the United States with "economic aggression" under article 16 of the Organization of American States. The Bolivian Foreign Minister stated in March that his country would consider taking the case before international organizations only if the subsequent decision on the tin price should be unfavorable.

29. Leftist opposition parties in Mexico sign campaign pact: The Popular Party, the Federation of People's Parties, and the Party of the Revolution have signed a pact to draft a "minimum political platform for the present electoral campaign." Once this has been approved by these three Mexican parties, they will discuss the formulation of a list of congressional candidates to be given joint support in the coming elections. (R FBIS Radio, Mexico, 31 Mar 52)

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Comment: The reputed "pact" suggests the possibility of a working arrangement between the pro-Communist supporters of Lombardo Toledano and those of the opportunistic General Henriquez Guzman, whose Federation of People's Parties includes both leftists and conservatives. Should the working agreement materialize, extreme leftists may be able to elect a few congressional deputies. However, the coalition is unlikely to threaten the political dominance of the administration party (the Party of Revolutionary Institutions) which will undoubtedly win most of the congressional seats and whose presidential candidate, Adolfo Ruiz Cortines, is virtually certain to be elected.

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FAR EAST

1. Japanese official reiterates views on future status of Soviet Mission in Tokyo: In the opinion of the Treaties Bureau Chief of the Japanese Foreign Office, any attempt by the Soviet Union to remain in Japan as an occupying power, after the peace treaty becomes effective, would be contrary to the 1945 Moscow Agreement which named SCAP Headquarters as the sole organ of occupation control. The official also told a Diet committee that the dissolution of SCAP would leave the Soviet Mission no legal basis for remaining in Japan. Admitting that Japan was unable to force its views on the USSR, he contended that the state of armistice between Japan and the USSR will continue. (R S/S Tokyo 2107, 4 Apr 52)

Comment: The provision in the Japanese Peace Treaty requiring ratification by a majority of the members of the Far Eastern Commission was designed to prevent the USSR or any other FEC member nation from inheriting the position of SCAP.

The Japanese Government on 16 March indicated that if no allied decision were forthcoming by the effective date of the peace treaty regarding the status of the Soviet Mission in Japan, the government would treat the Soviet personnel as ordinary foreign nationals without diplomatic status.

2. United States urges Japan to modify its position in the Sino-Japanese peace negotiations: The Department of State has requested the American Political Adviser in Tokyo to inform the Japanese Government that its proposals at the Sino-Japanese peace negotiations are inconsistent with the commitments expressed in Yoshida's 24 December letter to Dulles. The Department points out that the Japanese are committed to negotiate a treaty "in conformity with the

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principles set out in the multilateral treaty of peace," and, in the view of the United States, the Japanese Government should not attempt to exclude mention of these principles, including that of Japan's obligation to pay reparations. (S S/S to Tokyo 2646, 3 Apr 52)

Comment: Negotiations at Taipei are stalemated due to Japan's attempt to conclude a treaty which would not extend "victor" status to the Chinese. China, for reasons of prestige and its international legal status, cannot accept this limitation.

3. Japanese to propose simplified treaty with Chinese Nationalists: In an attempt to resolve the impasse in the Sino-Japanese treaty negotiations, Japan will propose that certain controversial matters pertaining to the Chinese mainland be dropped from the treaty now under negotiation. This will permit an immediate resumption of full diplomatic relations between Japan and Formosa, leaving controversial substantive matters to be left for subsequent separate negotiation. (S S/S Tokyo 2123, 4 Apr 52)

Comment: It is noted that the Japanese have proposed a similar technique in their negotiations with the Republic of Korea. The Japanese undoubtedly feel that their bargaining position vis-a-vis their former colonies will be considerably strengthened after Japan regains its sovereignty. The Chinese however, hoping for United States assistance, are likely to hold out for whatever concessions can be gained during the current negotiations.

4. Japanese urging Koreans to conclude limited treaty: The Japanese are pressing the Koreans to conclude agreements on only three of the five issues currently under negotiation: amity and basic "relations," the nationality of Korean residents in Japan and the transfer of vessels, according to Acting US Political Adviser Bond in Tokyo. Fisheries and claims would be deferred pending further "fact finding."

Wording of the documents covering the first three issues is substantially agreed upon and thus the Koreans are maneuvered into a corner as a result of the imminence of Japanese sovereignty, which may force them to accept Japanese proposals. Bond believes Japanese appreciation of this situation accounts for continued Japanese optimism on the outcome of negotiations. (C Tokyo 2118, 4 Apr 52)

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Comment: The South Koreans, sensitive to any slight in their international relations, remain particularly touchy as regards any manifestation of Japanese superiority. While not probable, it is a remote possibility that the South Korean Government, enraged at being outmaneuvered by the Japanese, might withdraw indefinitely from the negotiations.

WESTERN EUROPE

5. British propose new financial agreement on airfields used by American forces in England: The British Government has suggested a new and more comprehensive agreement for financing the construction of airfields in England for the use of the American air force. In an endeavor to maintain the concept of USAF-RAF partnership and to maximize dollar receipts in 1952 and 1953, the British desire a "rephrasing" of their financial participation in the program.

Under the present agreements Britain was to share equally in the cost of the 1951 slice, and the US was to be responsible for the entire cost of the 1952 slice. These, together with the proposed 1953 program, may reach the equivalent of 280 million dollars, but no payments have yet been made. The British have now offered in effect to pay 20 percent of all costs up to a total contribution of 49 million dollars. (TS London 4234, 25 Mar; S London 4372, 1 Apr 52)

Comment: This offer represents a distinct policy change from two previous British suggestions that the United States assume the whole capital cost as well as responsibility for the subsequent maintenance of the airfields. The American Embassy believes the UK might agree to contribute as much as 25 percent of the total cost, provided a method can be worked out to maximize British dollar receipts in 1952 and 1953.

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